



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein

SUBJECT: SEE BELOW

DATE: March 15, 2021

Approved

Date

3/18/2021

COUNCIL DISTRICT: 3 & 6

**SUBJECT: FIFTH AMENDMENT TO THE AGREEMENT WITH SKIPSTONE LLC
RELATED TO NEGOTIATIONS WITH GOOGLE REGARDING
DOWNTOWN WEST PROJECT**

RECOMMENDATION

Approve the Fifth Amendment to the Agreement with Skipstone, LLC, for work relating to negotiations with Google, LLC for its proposed Downtown West Mixed-Use Project, in the amount of \$150,000, for a total Agreement of \$470,000, and extending the term of the Agreement to December 31, 2021.

OUTCOME

Approval of the Fifth Amendment continues consultant support negotiating a Development Agreement with Google, LLC ("Google") for its proposed Downtown West Mixed-Use Project ("Downtown West Project"). Specifically, Skipstone, LLC ("Skipstone") has been instrumental in evaluating proposals by Google relating to community benefits and their relationship to affordable housing and parks. This extension assures the City that the final Development Agreement and other supporting documents are consistent with Council expectations and begins the process for implementation of the obligations outlined in the Development Agreement.

BACKGROUND

In February 2019, the City entered into the original agreement with Skipstone, in the amount of \$9,900, to assist in negotiations with Google for a Development Agreement. The principal for Skipstone, AP Hurd, was one of the early developers in the redevelopment of Seattle's South Lake Union area. Because of her experience, which was identified by staff through discussions with city of Seattle staff instrumental in the implementation of South Lake Union plans,

Skipstone was asked to provide early advice and insight on likely issues of concern and interest to Google, through the lens of a developer. This initial agreement was through December 2019.

As negotiations with Google progressed, it was apparent to the City team that the interrelationship between community benefits and the needs and expectations of the City departments was quite complex. Skipstone's scope of work was subsequently expanded to assist in coordinating with City departments to clarify goals, such as 25% affordable housing units within the development, and their codification in the Development Agreement. This level of work required increasing demands on Skipstone's time, such that the Agreement was amended four times to extend the contract timeframe and to add the funds necessary to provide technical analysis and support.

The Fourth Amendment to the Agreement was executed in December 2020 and set the contract limit at \$320,000, and an end date of June 30, 2021.

ANALYSIS

Negotiations with Google for Community Benefits is an iterative process balancing the anticipated cost or value of a project feature with the timing of delivery and the expectations of the community-at-large. Specifically, the two areas of focus for Skipstone have been the timing and nature of park dedication and construction and essentially the same topics for delivery of affordable housing. The Downtown West project is somewhat more complex than most development in San Jose not only because of its sheer size (80 acres, 7.3M sf of office/commercial, 5,900 residential units), but also the desire of Google to deliver a unique project that combines private uses and space with public access and ownership. The interplay of timing and contributions (both cash and in-kind delivery) resulted in many variations of project options; as one item is pushed to maximize its contribution to the Community Benefits, those dollars and energies are taken from another. Skipstone has played a major role in evaluating proposals from Google and assisting the Housing and Parks staff in understanding potential tradeoffs or alternatives.

Skipstone has been an active participant in weekly negotiation sessions with Google, as well as assisting staff in preparation for topic-specific meetings with smaller negotiating groups. The addition of Skipstone to the smaller teams, most specifically Housing and Parks, has enabled a better and more complete understanding of the City's and Google's expectations for incorporation of these elements in the project, but also how decisions affect overall Community Benefits. Skipstone has been instrumental in developing and demonstrating economic models that show the interaction between the multiple components of the overall project and Community Benefits that can flow to the City. These models have enabled City staff and Google staff to more clearly define issues of concern and agreement, which has been critical to moving this project forward in a timely manner.

CONCLUSION

The value of Skipstone to the City and the negotiations with Google for its Downtown West project cannot be overstated. Providing the insight of a major urban developer has enabled the City staff to anticipate issues raised by Google's negotiators and prepare informed responses. The ability of the City to quickly respond to proposals and ideas raised by Google has done much to keep the process moving and keep both sides talking positively.

EVALUATION AND FOLLOW-UP

Successful conclusion of negotiations with Google are anticipated for late spring 2021. A status report on the negotiating teams will be included in reports to Council at that time.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the March 30, 2021 Council Meeting.

COORDINATION

This report has been coordinated with the Department of Planning, Building, and Code Enforcement, the City Manager's Budget Office, and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The recommendations in this memorandum will approve the Fifth Amendment to the agreement with Skipstone and the amendment of \$150,000 will be funded by the Diridon Station Area Development Planning appropriation in the General Fund. This appropriation was established as

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Subject: Fifth Amendment to the Agreement with Skipstone

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part of the 2020-2021 Adopted Budget with a budget of \$3.1 million and was funded primarily by contributions from Google.

BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the contract recommended as part of this memo and remaining project costs.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract Increase	2020-2021 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	202S	Diridon Station Area Development Planning	\$3,083,441	\$150,000	IX-23	10/20/2020 Ord. No. 30494

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

NANCI KLEIN

Director of Economic Development

For questions, please contact Nanci Klein, Director, at (408) 507-0430.